

## USING THE LEGACY PAY STATEMENT TO UNDERSTAND YOUR W2

*This quick reference guide will help employees transitioning to the new payroll system understand their W2, Wage and Tax Statements from HIP.*

### 1. Why are my gross earnings from my 12/20 pay statement and my gross federal taxable wages on my W2 different?

Your Federal Taxable Wages on your W2 is not your annual salary.

- YTD Gross Earnings on your 12/20 pay statement = How much you earned in 2018.
- Federal Taxable Wages on your W2 = How much of your earnings you were taxed on in 2018.

#### To break this down...

Your Federal Taxable Wages is different than your YTD Gross Earnings because you received pre-tax benefits such as medical coverage, transportation benefits, deferred compensation benefits, or other types of pre-tax State of Hawaii benefit programs. If you subtract the amounts of those pre-tax benefits from your YTD Gross Earnings, you will get the amount of your Federal Taxable Wages.

#### ~Example~

Your year-to-date (YTD) Gross Earnings found on your 12/20/18 pay statement is \$41,785.63, and your W2 has an amount of \$36,648.78 in Box 1. That's a difference of \$5,136.85. Why do they not match?

To understand the difference, do the following:

Use year-to-date (YTD) gross earnings from your 12/20/18 paycheck and subtract any pre-tax deductions such as MR (Medical Premium Conv Plan), PR (Prescription Drug Premium Conv Plan), VR (Vision Care Premium Conv Plan), DR (Adult Dental Premium Conv Plan), as well as any retirement deductions that are also pre-tax.

See the example on the following page.

**STATE OF HAWAII EMPLOYEE'S EARNINGS AND DEDUCTIONS STATEMENT**

12/15/2018 12/20/2018

GROSS EARNINGS			DEDUCTIONS/REDUCTIONS			TAX		
TYPE	AMOUNT	YEAR TO DATE	TYPE	AMOUNT	YEAR TO DATE	TYPE	AMOUNT	YEAR TO DATE
REG-PAY	163450		MR701	2384	143211	STATE	10207	256271
			PR701	569	41366	FED	14954	384762
			VR701	122	3032	STATE	9902	246459
			DR701	674	15838	STATE	2316	57642
			SD715	1977	47496			
						TOTAL DEDUCTIONS/REDUCTIONS		
						56171		
						NET PAY		
						107279		

NON-NEGOTIABLE  
KEEP THIS STATEMENT FOR YOUR RECORD

Your YTD Earnings as of 12/20/2018

→  
All your deductions. Only MR, PR, VR, DR are pre-tax. SD is not pre-tax.

**GROSS EARNINGS-TYPE CODES**

OP-PAY E/W-PAY F/F-PAY HAZ-PAY NCL-O/T N/S-DP ORD-O/T O/S-DP REG-PAY	ALL OTHER DIFFERENTIALS EMERGENCY WORK PAY FIREFIGHTING PAY HAZARDOUS DUTY PAY HOLIDAY OVERTIME PAY NIGHT SHIFT DIFFERENTIAL ORDINARY OVERTIME PAY OVERSEAS CONTRACT DIFFERENTIAL REGULAR PAY	RETRO SAB-PAY SCK-PAY SOT-DIF STP-BID STAND-BY DUTY PAY S/S-DP S/S-O/T T/A-PAY	RETROACTIVE ADJUSTMENT SABBATICAL LEAVE PAY SICK LEAVE PAY WHILE ON W/C PAY FIREFIGHTER'S SOT DIFFERENTIAL STIPEND STAND-BY DUTY PAY SPLIT SHIFT DIFFERENTIAL SPLIT SHIFT OVERTIME PAY TEMPORARY ASSIGNMENT PAY	24-PSP VAC-PAY WKS-CMP	24 HOUR PSYCHIATRIC SERVICES PAY VACATION PAY: -FOR EXCESS VACATION CREDITS -WHILE ON W/C LEAVE; OR -UPON TERMINATION WORKERS' COMPENSATION BENEFIT
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**DEDUCTIONS/REDUCTIONS-TYPE CODES**

AF AP AR CR CS CU DC DD DR DT EI EO FA	ANNUITY PLAN ADMINISTRATION FEE ANNUITY PLAN PREMIUM ADDITIONAL RETIREMENT & RETROACTIVE FICA COTTAGE RENTAL HS29 COLLEGE SAVINGS PLAN CREDIT UNION DEFERRED COMPENSATION ADULT DENTAL PLAN ADULT DENTAL PREMIUM CONV. PLAN DELINQUENT TAX ASSESSMENT EARNED INCOME CREDIT EMPLOYEE ORGANIZATION FLEX SPENDING ADMIN FEE	FD FM GA HI LF MD MR MV OP OS PD PE PK PP PR	DEPENDENT CARE FSA MEDICAL FSA LAWFULLY ORDERED PAYMENT HAWAIIAN HOME LANDS LICENSING/OTHER FEES STATE MEDICAL PLAN MEDICAL PREMIUM CONV. PLAN MOTOR VEHICLE INSURANCE SALARY OVERPAYMENT RECOVERY COUNT-ORDERED SUPPORT INDIANARY PRESCRIPTION DRUG PLAN PRE-EMPLOYMENT EXAM PARKING FEE PRIORITY PAYROLL ADVANCE PRESCRIPTION DRUG PREMIUM CONV. PLAN	PS SB SD TB UD UF UR UM UP US UV VC VR WR	PUBLIC SCHOOLS/STATE LIBRARY FOUNDATIONS U.S. SAVINGS BONDS STATUTORY DUES TRANSPORTATION BENEFIT UNION ADULT DENTAL PREMIUM CONV. PLAN COMMUNITY FUND DONATION U. OF H. FOUNDATION DONATION UNION MEDICAL PREMIUM CONV. PLAN UNION PRESCRIPTION DRUG PREMIUM CONV. PLAN CIVIL SERVICE RELATED DEDUCTIONS UNION VISION CARE PREMIUM CONV. PLAN VISION CARE PLAN VISION CARE PREMIUM CONV. PLAN WORKERS' COMPENSATION RETIREMENT
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All of the types of pre-tax benefits the State has are hi-lighted here

**CALCULATIONS**

\$41,785.63 – YTD Gross Earnings on 12/20/18

1,432.11 – MR

413.66 – PR

30.32 – VR

158.38 – DR

\$39,751.16 – W2 Taxable Wages for Social Security, Box 3 and Medicare, Box 5 (these amounts may differ between employees)

3,102.38 – Retirement Contributions

\$36,648.78 – W2 Taxable Wages for Federal Tax purposes, Box 1

Form **W-2 Wage and Tax Statement 2018**

c Employer's name, address, and ZIP code  
STATE OF HAWAII  
PO BOX 119  
HONOLULU HI 96810-1019

e Employee's name, address, and ZIP code

7 Social security tips	1 Wages, tips, other compensation 3,6648.78	2 Federal income tax withheld 3847.62
8 Allocated tips	3 Social security wages 39751.16	4 Social security tax withheld 2464.57
9 Verification code	5 Medicare wages and tips 39751.16	6 Medicare tax withheld 576.39
10 Dependent care benefits	11 Nonqualified plans	12a See instructions for box 12 12b DD 6329.92
13 <input checked="" type="checkbox"/> Employer's name, address, and ZIP code b Employer identification number (EIN) 99-6001081 a Employee's social security number	14 Other	12c 12d
15 State Employer's state ID number HI WH-013-438-5664-01	16 State wages, tips, etc. 39751.16	17 State income tax 2562.71
	18 Local wages, tips, etc.	19 Local income tax
		20 Locality name

Box 1.  
Your Taxable Wages for Federal Tax Purposes

Copy B-To Be Filed With Employee's FEDERAL Tax Return

This information is being furnished to the Internal Revenue Service. OMB No. 1545-0008

Dept. of the Treasury - IRS  
Visit the IRS website at www.irs.gov/efile.

## **2. Why are the Social Security and Medicare taxes withheld on my 12/20 pay statement different from the Social Security and Medicare taxes withheld on my W2?**

You may see *a few cents* difference between the amounts on your 12/20 pay statement and the amounts on your W2. The legacy payroll system calculated taxes on a per pay period basis rounding to the nearest penny. With the new payroll system, we calculate using an annualization method that ensures all employees meet the necessary tax requirements each calendar year. As we transitioned from the legacy system to HIP, the new annualization method was applied for employees. This means that some employees may see slight differences in their social security tax withheld on the W2 due to this penny rounding method from the legacy payroll system. Now that all employees are in the new payroll system and the annualization method is in place, employees will always have taxes annualized each pay period.

**How the calculations on your W2 work:** The dollar amount for the **Social Security tax withheld** in Box 4 is equal to 6.2% of your social security wages found in Box 3. The dollar amount for the **Medicare tax withheld** in Box 6 is equal to 1.45% of your Medicare Wages and Tips found in Box 5.